

Message Text

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ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 AGR-20 CEA-02 CIAE-00 COME-00

DODE-00 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06 NSAE-00

NSC-10 PA-04 RSC-01 AID-20 CIEP-02 SS-20 STR-08

TAR-02 TRSE-00 USIA-15 PRS-01 SPC-03 OMB-01 XMB-07

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TAGS: ECRP, EAID, IBRD, IDB, ADB

SUBJECT: IDB PROGRAM IN COLOMBIA

REF: STATE A-7648; KLEINE LETTER TO ELLIS OF 10/19/73

1. BEGIN SUMMARY: AID PROGRAM OFFICER AND FINATT MET WITH LOCAL IDB RESIDENT REPRESENTATIVE ALBERTO IBANEZ TO EXCHANGE VIEWS ON GOC PESO COUNTERPART PROBLEMS AND OTHER ISSUES OF MUTUAL CONCERN TO THE IDB AND THE U.S. MISSION. END SUMMARY.

2. GOC BUDGETARY COUNTERPART PROBLEMS: AFTER DESCRIBING TO IBANEZ PROBLEMS GOC IS HAVING THUS FAR THIS YEAR IN PROVIDING LOCAL CURRENCY DISBURSEMENTS FROM THE BUDGET TO SUPPORT THE KEY A.I.D. SECTOR PROGRAMS (TO BE REPORTED SEPARATELY) IBANEZ SUMMARIZED IDB'S EXPERIENCE THIS YEAR WITH THE SAME PROBLEM. AS EXPECTED IBANEZ STATED THAT HE WAS HAVING DIFFICULTY BECAUSE THE GOC WAS NOT PROVIDING SUFFICIENT LOCAL CURRENCY COUNTERPART FROM BUDGETARY RESOURCES TO KEEP SOME PROGRAMS MOVING AT THE DESIRED

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DISBURSEMENT RATES. HE STATED THAT ON BALANCE OF LOCAL

CURRENCY DISBURSEMENTS FOR IDB PROJECTS THE GOC HAD EXCEEDED THE 40 PERCENT RATE ACHIEVED IN THE A.I.D. SUPPORTED SECTORS FOR THE FIRST 9 MONTHS THIS YEAR. IBANEZ PROMISED A DETAILED STATISTICAL BREAKDOWN WHICH WILL BE FORWARDED TO WASHINGTON WHEN WE RECEIVE IT. HE STATED THAT SOME PROJECTS WERE SHIELDED SOMEWHAT FROM THE GOC COUNTERPART PROBLEM BECAUSE CERTAIN SUING AGENCIES WERE ABLE TO BORROW ON THEIR OWN TO HELP MAKE-UP FOR GOVERNMENT SHORTFALLS IN LOCAL CURRENCY. IBANEZ THEN STATED THAT HIS OTHER LOCAL CURRENCY PROBLEM WAS THAT THE GOC HAD FAILED TO MAKE PAYMENT ON THE LOCAL CURRENCY PORTION OF CERTAIN BANK LOANS (PARTICULARLY UNIVERSITY LOANS). HE DID NOT ELABORATE ON HOW LONG THE LOANS WERE DELINQUENT OR THE AMOUNTS INVOLVED.

3. ASSURANCES FROM THE FINANCE MINISTER: IDB WASHINGTON REP FOR COLOMBIA WHO WAS HERE TO ATTEND BANKERS CONVENTION, CALLED ON THE FINANCE MINISTER AND WAS ASSURED THAT ALL GOC BUDGETARY COUNTERPART REQUIRED FOR THIS YEAR (INCLUDING LOAN DELINQUENCIES) WOULD BE MET. THE REMAINING LOCAL COSTS FOR INVESTMENT OUTLAYS WOULD BE FINANCED IN PART BY ADDITIONAL EXTERNAL BORROWINGS OF \$30 MILLION FROM THE EURO DOLLAR MARKET. WHEN ASKED IF THIS SORT OF FINANCING WAS ACCEPTABLE TO IDB, IBANEZ STATED THAT HE SAW NO OTHER ALTERNATIVE SINCE THE GOC WAS UNLIKELY TO REDUCE EXPENDITURES OR INCREASE REVENUES. IBANEZ STATED THAT HE EXPECTS TO BE ABLE TO HIRE AN ECONOMIST IN 1974 AT WHICH TIME THE RESIDENT REP. WOULD BE IN A BETTER POSITION TO EVALUATE ECONOMIC POLICIES AND TRENDS.

4. NEW LOAN COMMITMENTS BY IDB: THE IDB PLANS NEW COMMITMENTS OF ABOUT \$117 MILLION THIS CALENDAR YEAR. ALL NEW LOANS ARE EITHER APPROVED OR ARE IN THE PROCESS OF BANK CLEARANCE EXCEPT FOR THE \$60 MILLION CHIVOR HYDROELECTRIC POWER PROJECT WHICH HE HOPED WOULD BE PRESENTED TO BANK MANAGEMENT IN THE NEAR FUTURE. TENTATIVELY THE IDB HERE IS THINKING OF A PROGRAM NEXT YEAR IN THE \$120 MILLION RANGE. THE TWO MAJOR PROJECTS PLANNED FOR NEXT YEAR ARE \$60 FOR RURAL DEVELOPMENT AND \$20 MILLION FOR TOURISM ON THE NORTH COAST.

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5. IFI PROJECT VISITS: FINATT OUTLINED THE DESIRABILITY OF U.S. MISSION OFFICERS VISITING EACH YEAR A LIMITED NUMBER OF IDB PROJECTS. IBANEZ HAD NO OBJECTION. A LIST OF PROJECTS WILL BE SELECTED AND A SCHEDULE OF PLANNED VISITS FOR THIS YEAR WILL BE PREPARED AND COORDINATED WITH THE IDB RESIDENT REPRESENTATIVE. IN THIS CONNECTION KEN GUNTHER'S VISIT EARLIER THIS YEAR TO LOOK AT SOME PROJECTS AND EXPLAIN

THE NEED FOR PROJECT VISITS WAS MOST HELPFUL.
6 BEGIN COMMENT: IT IS OBVIOUS THE IDB IS
EXPERIENCING THEIR OWN LOCAL COST PROBLEMS AND THAT AS
YET THESE PROBLEMS DO NOT APPEAR TO HAVE
AFFECTED PLANNING FOR NEXT YEARS IDB PROGRAM HERE. IN
GENERAL WE FOUND THE MEETING WITH IBANEZ USEFUL ALTHOUGH
A LITTLE LESS QUANTITATIVE THAN WE WOULD HAVE LIKED.
END COMMENT. WHITE

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